

## 1350.0 - Australian Economic Indicators, Aug 2003

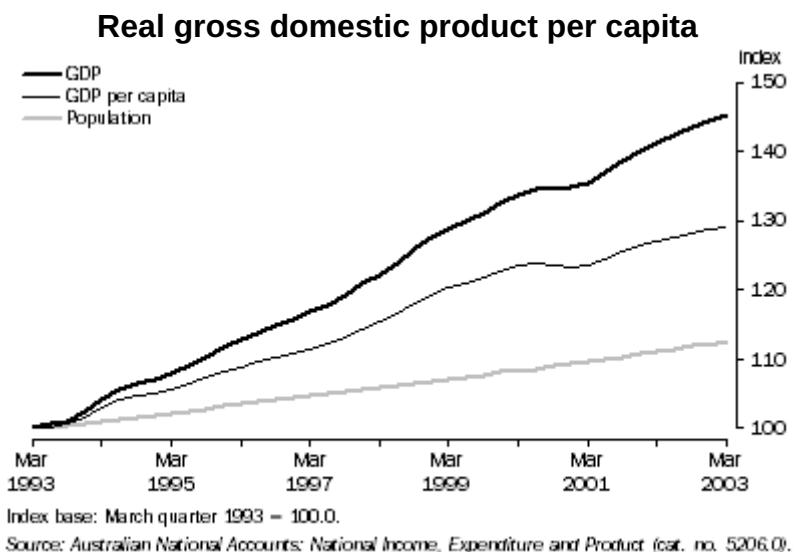
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### Feature Article - Population, Participation and Productivity - Contributions to Australia's Economic Growth

#### INTRODUCTION

Following the downturn of the early 1990s, Australia experienced more than a decade of sturdy economic growth.

Between the March quarter 1993 and March quarter 2003, the average rate of growth in real gross domestic product (GDP, the total value of goods and services produced in Australia) was 3.8% a year. Over the same period, Australia's population grew at an average rate of 1.2% a year, leading to a growth in real per capita GDP (one measure of material living standards) of 2.6% a year.



There are many ways of analysing economic growth. One illuminating perspective is in terms of changes in the amount and productivity of labour. This style of analysis, which was used in **Intergenerational Report: 2002-03 Budget Paper No. 5**, released by the Commonwealth Treasurer in May 2002, begins from the following decomposition:

Real GDP / Population

= Real GDP / Hours worked (commonly called 'labour productivity')

× Hours worked / Employed persons ('average hours worked')

× Employed persons / Labour force

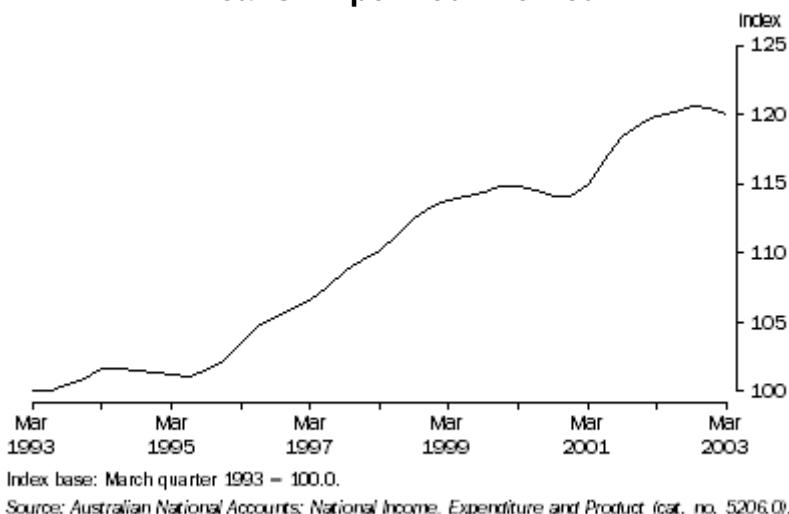
× Labour force / Population aged 15 years and over ('participation rate')

× Population aged 15 years and over / Total population

Each of these components is examined in more detail in the following sections.

## Labour productivity

### Real GDP per hour worked



Index base: March quarter 1993 = 100.0.

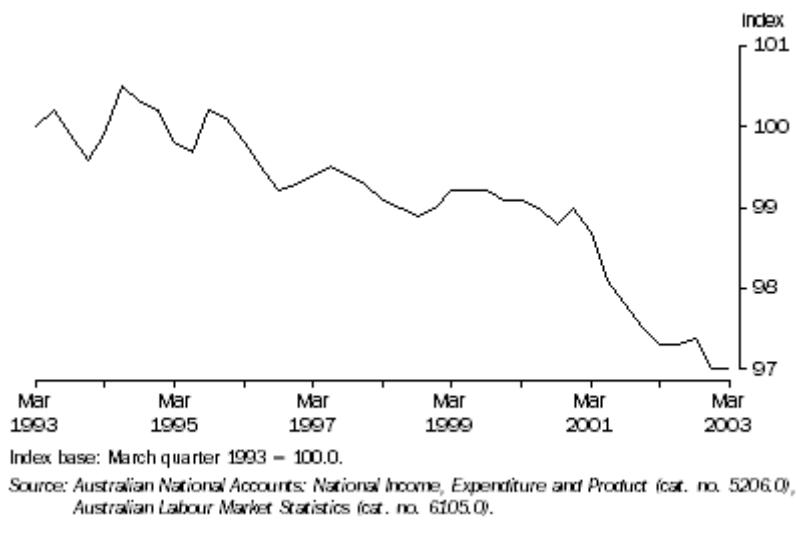
Source: Australian National Accounts: National Income, Expenditure and Product (cat. no. 5206.0).

Between March 1993 and March 2003, the amount of real GDP per hour worked rose by more than 20% - an annual average growth of 1.8%.

The improvement in labour productivity reflects two kinds of change - increases in the ratio of capital to labour ("capital deepening") and improvements in multifactor productivity (the amount of output per unit of labour and capital combined).

Underlying these changes were influences such as technological advances, improvements to the quality of labour or management practices, and shifts of labour, capital and other inputs toward firms or industries that are more productive.

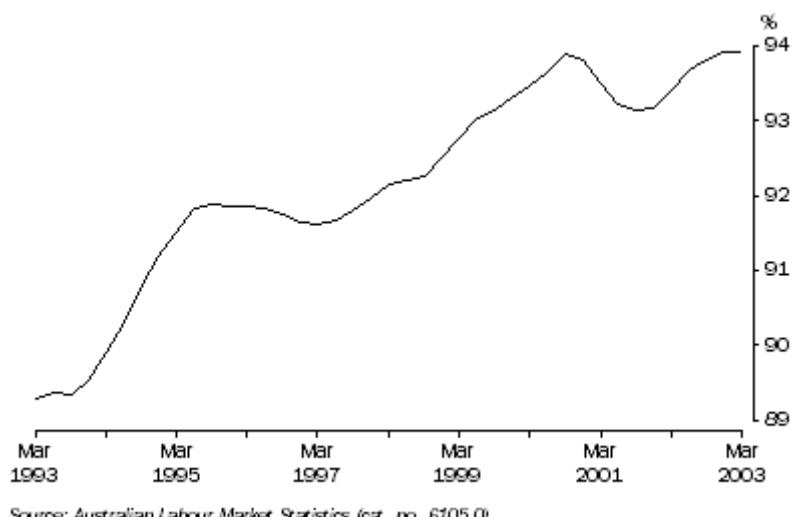
## Average hours worked



Between March 1993 and March 2003, the average hours worked by employed persons fell by 3% - an annual average fall of 0.3%.

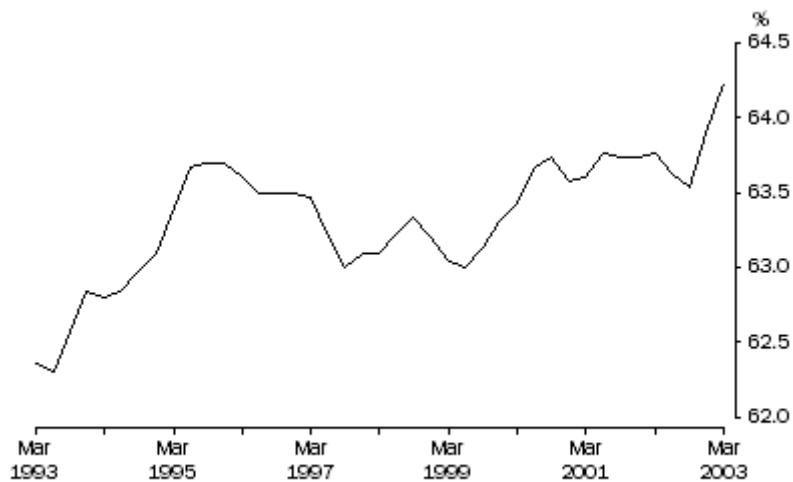
During this period, there was a strong rise in the number of part-time employees (up by 51%, whereas the number of full-time employees rose by 16%). There was a partly offsetting increase in the average working hours of full-time employees.

### Ratio of employed persons to labour force



Between March 1993 and March 2003, the proportion of the labour force that was employed rose from 89% to 94% - an annual average growth of 0.5%. This was mirrored by a fall in the unemployment rate, and reflected in part the generally buoyant state of the Australian economy through the past decade.

### Participation rate

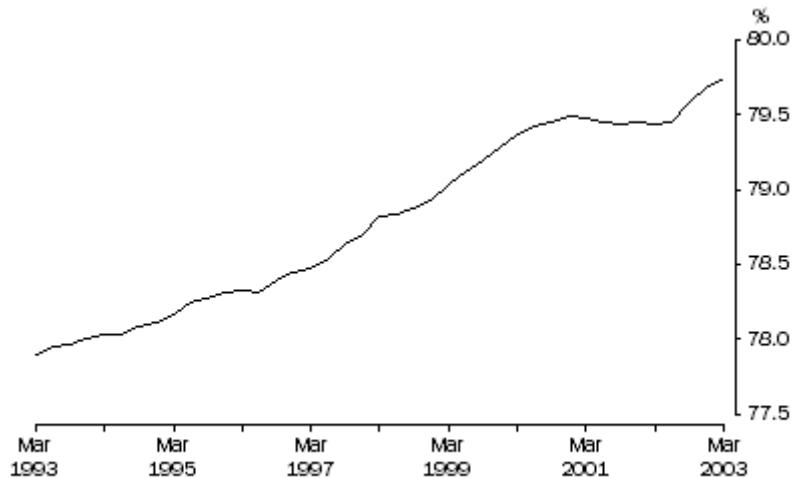


Source: Australian Labour Market Statistics (cat. no. 6105.0).

Between March 1993 and March 2003, the labour force participation rate rose from 62% to 64% - an annual average growth of 0.3%.

Males and females have shown opposite trends - the participation rate for males fell from 75% to 72%, whereas the rate for females rose from 52% to 56%.

### Ratio of population aged 15 years and over to total population



Source: Australian National Accounts: National Income, Expenditure and Product (cat. no. 5206.0).

Between March 1993 and March 2003, the proportion of the population that was 15 years of age or more rose from 78% to 80% - an annual average growth of 0.2%. This is consistent with the pattern of structural population ageing in Australia.

### Conclusion

Average annual growth rate Mar 93 to Mar 03

Component

%

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Real GDP / Hours worked (labour productivity)	1.8
Hours worked / Employed persons (average hours worked)	-0.3
Employed persons / Labour force	0.5
Labour force / Population aged 15 and over (participation rate)	0.3
Population aged 15 and over / Total population	0.2
<b>Real GDP / Total population</b>	<b>2.6</b>

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Of the five components, the largest contributor to the growth in real per capita GDP during the past decade has been the improvement in labour productivity.

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